

**WATER WORKS DISTRICT NO. 1, WARD 1
CALCASIEU PARISH, LOUISIANA
MOSS BLUFF, LOUISIANA**

**FINANCIAL STATEMENTS
JUNE 30, 2003 AND 2004**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2-2-05

WATER WORKS DISTRICT NO.1, WARD 1,
CALCASIEU PARISH, LOUISIANA
MOSS BLUFF, LOUISIANA
FINANCIAL STATEMENTS AT JUNE 30, 2003 AND 2004

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Water Works District No. 1, Ward 1
Calcasieu Parish, Louisiana
Lake Charles, Louisiana

We have audited the accompanying basic financial statements of Water Works District No. 1, Ward 1, Calcasieu Parish, Louisiana, as of June 30, 2004, and for the year then ended as listed in the table of contents. These basic financial statements are the responsibility of Water Works District No. 1, Ward 1, Calcasieu Parish, Louisiana. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. The year ended June 30, 2003 was audited by another firm.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Water Works District No. 1, Ward 1, Calcasieu Parish, Louisiana, as of June 30, 2004, and the results of its operations and the cash flows of its proprietary type unitary fund for the year then ended in conformity with generally accepted accounting principles in the United States of America.

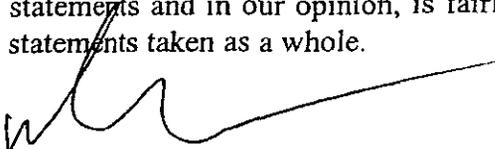
In accordance with Governmental Auditing Standards, we have issued our report dated December 17, 2004 on our consideration of Water Works District No. 1, Ward 1, Calcasieu Parish's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

As described in Note 1 to the basic financial statements, the Water District adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments* and Statement 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and local Governments: Omnibus*, as of May 1, 2002. This results in a change in the format and content of

the basic financial statements. The change was implemented July 1, 2002 and the fiscal year 2003 was restated to comply with this change. As state above, the year ended June 30, 2003 was audited by another firm.

The Management's Discussion and Analysis and Other Required Supplemental information as listed *in the table of contents are not a required part of the basic financial statements but are supplementary information* required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Louisiana Required Information includes a supplemental information section, a copy of Louisiana Municipal Compliance Survey completed by the District and our Management Letter which are not a required part of the financial statements of the district. This information has been subjected to the auditing procedures applied in the examination of the financial statements and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Windell Hebert, CPA
December 17, 2004

WATER WORKS DISTRICT NO. 1, WARD 1
CALCASIEU PARISH, LOUISIANA
Management's Discussion and Analysis
For the year ended June 30, 2004

Our discussion and analysis of WATER WORKS DISTRICT NO. 1, WARD 1's (District) financial performance provides an overview of the District's financial activities for the year ended June 30, 2004. Please read it in conjunction with the basic financial statements and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

- As a result of this year's operations, assets exceeded liabilities by \$6,883,422 (net assets) of the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$6,129,373. The net assets increased by \$ 754,049 or 12.3%.

- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$6,580,801 included in property and equipment, net of accumulated depreciation, net of long term debt.
 - (2) Net assets of \$459,730 are restricted by debt covenants which represents the next fiscal year's debt service. The funds for this are contained in the restricted cash as presented.
 - (3) Net assets of \$1,463,000 restricted for capital expenditures are from borrowed funds. Additionally, the District has accumulated earning set aside for capital projects in the near future in the amount of \$544,724.
 - (4) The balance of unrestricted net assets is a deficit of \$ 2,164,833 which represents the investment in capital investments which has been obligated. Despite this deficit, the District maintains \$ 150,000 in unrestricted cash to pay monthly operating expenses until the cash from current operations is realized.

- Total spending for all District activities was \$1,070,177 for the year, which is \$40,615 greater than the charges for services, goods, and interest than the previous year. Operating revenues for the year increased slightly by \$ 2,299 and operating expenses increased \$40,615 from the prior year. The mix of the operating income consisted of a decrease in direct water sales and an increase in late fees and other income due to customers' late payment. The District has implemented active measures to minimize the realization of bad debt expense. The increase in operating expenses is due to the increase in customer base and to the ever increasing costs of supplies and materials.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of three parts: Management's Discussion and Analysis (MD&A); the Financial Section (basic financial statements); and Louisiana Required Supplemental Information. The financial section includes notes that disclose in more detail the financial operations and position than is presented in the financial statements.

The Comparative Statement of Net Assets and the Comparative Statement of Revenues, Expenses and Change in Net Assets (Activity) provide both long range and short term information about the District's overall financial status. The Comparative Statement of Net Assets includes all assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). This financial section reports net assets and how they have changed.

The financial statements impart several capital projects carried throughout the fiscal year. These projects included a 1500 gpm (gallon per minute) well, Plant A renovations, and the addition of distribution lines. Proceeds from the 2002 bond issue funded the well and plant renovations, as well as a portion of the distribution lines. The District used its operating accounts to fund these improvements and plans to release the bond proceeds to reimburse these operating funds in the immediate future.

The 1500 gpm well is currently in the final stages of installation and will supply water to our Plant B facility. The total cost is estimated to be \$467,421.

Plant A renovations included the replacement of a 600 gpm filter and a new plant building. These improvements replaced the original installations from 1972. The cost of the Plant A Renovation Project was approximately \$394,980.

The District annually increases its investment in distribution lines and services as new customers are added. The current expenditure for this was approximately \$107,676. Larger waterlines were overlaid during 2003-2004 in several areas in the District to meet the demands of customer growth. Among the areas that were addressed for distribution upgrading were Recreation Boulevard, Gill Road, Debra Lane, and Sharon Lane. The total expenditures for these projects was approximately \$77,268. The majority of funding for most of these projects was provided by grants from Calcasieu Parish Police Jury. These grants were generated from funds received from fees paid by the local gaming facilities. A summary of the increases to fixed assets by class are disclosed in the notes to the financial statements.

The District expended \$222,685 for 84 new fire hydrants installed throughout the distribution system. This money was provided by the local fire district from property taxes and grants from the Parish Police Jury. These improvements were to assist the community in obtaining more effective fire protection and to lower the property owners' cost for fire insurance.

Management Discussion and Analysis Continued on following page.

FINANCIAL ANALYSIS AS A WHOLE

As stated previously, net assets increased by \$ 754,049 as a result of this year's operations. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation and regulation, or contractual obligations, actually increased due to the District's emphasis on improving the District's water quality and ability to serve its customers. The balance in net assets represents the accumulated results of all past years' operations. This means that if the District paid off all of its bill today, including all of the non-capital assets, there would be a short fall of \$2,164,833. It is highly unlikely due to the basic need that the District provides to the area that the District would liquidate its assets as previously described. However, generally accepted accounting principles require this discussion which is presented solely to comply with that requirement.

NET ASSETS – The table below summarizes the Comparative Statement of Net Assets —

Condensed Statement of Net Assets – TABLE 1				
	FY 2003	FY 2004	Dollar Change	Percent Change
Current Assets	\$ 503,485	\$ 466,145	\$ (37,340)	(7.42)%
Capital Assets	\$ 7,634,099	\$ 8,072,801	\$ 438,702	5.75%
Other Assets	\$ 2,561,077	\$ 2,598,809	\$ 37,732	1.47%
Total Assets	\$ 10,698,661	\$ 11,137,755	\$ 439,094	4.10%
Current liabilities	\$ 380,040	\$ 396,970	\$ (16,930)	(4.45)%
Long term debt outstanding	\$ 2,955,000	\$ 2,620,000	\$ 335,000	11.34%
Other Liabilities	\$ 1,234,248	\$ 1,237,363	\$ (3,115)	(0.25)%
Total Liabilities	\$ 4,569,288	\$ 4,254,333	\$ 314,955	6.89%
Invested in Capital Assets, net of debt	\$ 5,822,099	\$ 6,580,801	\$ 758,702	13.03%
– Restricted	\$ 2,432,837	\$ 2,467,454	\$ 34,617	1.4%
– Unrestricted	\$ (2,125,563)	\$ (2,164,833)	\$ (39,270)	1.8%
Total Net Assets	\$ 6,129,373	\$ 6,883,422	\$ 754,049	12.3%

Management Discussion and Analysis Continued on following page.

CHANGES IN NET ASSETS

The table below summarizes the changes in Net Assets

Condensed Statement of Revenues, Expenses, and Changes in Net Assets				
TABLE 2				
	FY 2003	FY 2004	Dollar Change	Percent Change
Operating Income	\$1,840,415	\$1,842,714	\$ 2,299	0.1%
Non operating income	\$ 123,192	\$ 300,009	\$176,817	143.5%
Total Revenue	\$1,963,607	\$2,142,723	\$179,116	9.1%
Depreciation	\$ 315,843	\$ 318,497	\$ 2,654	0.8%
Operating expenses	\$ 878,649	\$ 919,264	\$ 40,615	4.6%
Non operating exp.	\$ 120,830	\$ 150,913	\$ 30,083	24.9%
Total Expenses	\$1,315,322	\$1,388,674	\$ 73,352	5.6%
Change in Net Assets	\$ 648,285	\$ 754,049	\$105,764	16.3%

As can be see in table 2 the District's revenues decreased slightly but the District's cash expenses increased slightly which when considered together presented a challenge to adequately manage the District in light of increasing operating costs.

Management Discussion and Analysis Continued on following page.

BUDGETARY HIGHLIGHTS

As required by state statute the District adopts an annual budget to include operating, debt, and capital expenditures.

Condensed Statement of Revenues, Expenses, and Changes in Net Assets Budget to Actual FY 2004 – TABLE 3				
	Budget	Actual	Dollar Variance	Percent Variance
Operating Income	\$ 1,734,317	\$ 1,842,714	\$108,397	6.3%
Non operating income	\$ 22,000	\$ 300,009	\$278,009	1263.7%
Total Revenue	\$ 1,756,317	\$ 2,142,723	\$ 386,406	22.0%
Operating expense	\$ 1,002,425	\$ 919,264	\$ (83,161)	-8.3%
Non operating expense	\$ 132,005	\$ 150,913	\$ 18,908	14.3%
Total Expenses	\$ 1,134,430	\$ 1,070,177	\$ (64,253)	-5.7%
Change in Net Assets before Dep.	\$ 621,887	\$ 1,072,546	\$ 450,659	72.5%
Depreciation	"A"	\$ 318,497		
Change in Net Assets		\$ 754,049		
"A" Depreciation is not budgeted				

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The change in fiscal assets is disclosed in the notes to the financial statements and a detailed discussion of the current year's additions was presented above in the Overview section at the beginning of the MD&A.

LONG TERM DEBT

The change in the District's long term debt is presented in the notes to the financial statements and the District does not plan to borrow any more money for construction in the near future. No new debt was incurred during the year and principal of \$320,000 of bonds payable was paid.

Management Discussion and Analysis Continued on following page.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District's Commissioners and management considered many factors when preparing and approving the Fiscal Year 2005 Budget. The economy is steady despite the downward trend in the revenues and the increasing trend of the expenses. Should the trends continue, this will cause the District to consider raising rates possibly for fiscal year 2006, but none is contemplated for fiscal 2005. The District feels this is a reasonable approach and does not anticipate any disruption to its operations. The District does not anticipate changing its planned capital improvements plan.

CONTACTING MANAGEMENT

This Annual Financial Report is designed to provide our citizens, customers, and others with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Water Works District No. 1, Ward 1, Calcasieu Parish's Superintendent, Gerald Hoffpauir, 166 School Street, Lake Charles, LA, phone number 337 855-7250.

FINANCIAL SECTION

Basic Financial Statements

WATER WORKS DISTRICT NO. 1, WARD 1,
CALCASIEU PARISH, LOUISIANA
MOSS BLUFF, LOUISIANA

EXHIBIT A

Comparative Statement of Net Assets
At June 30, 2003 and 2004

	(restated)	
	2003	2004
<u>ASSETS</u>		
Current Assets		
Cash-unrestricted	150,000	150,000
Accounts receivable	263,745	226,103
Inventory-materials and supplies	59,316	87,723
Prepaid expenses	28,050	--
Interest receivable	2,374	2,319
Total Current Assets	<u>503,485</u>	<u>466,145</u>
Capital Assets		
Land	242,486	256,719
Construction in Process	266,379	184,778
Depreciable assets	11,056,935	11,905,399
Less-Accumulated depreciation	(4,081,705)	(4,376,742)
Bond issue costs	273,649	273,649
Less-Accumulated amortization	(123,645)	(171,002)
Total Fixed Assets	<u>7,634,099</u>	<u>8,072,801</u>
Other Assets		
Cash and CDs -restricted	<u>2,561,077</u>	<u>2,598,809</u>
Total Assets	<u>10,698,661</u>	<u>11,137,755</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Bonds payable (Note 2)	320,000	335,000
Accounts payable	34,614	19,738
Payroll and sales taxes payable	3,425	1,324
Interest payable -- payable from restricted assets	22,001	40,908
Total Current Liabilities	<u>380,040</u>	<u>396,970</u>
Long Term Debt		
Bonds payable (Note 2)	2,955,000	2,620,000
Other Liabilities		
Customer deposits -- payable from restricted assets	128,240	131,355
Due to State of Louisiana/Act 319	1,106,008	1,106,008
Total Other Liabilities	<u>1,234,248</u>	<u>1,237,363</u>
Total Liabilities	4,569,288	4,254,333
Net Assets		
Invested in capital assets, net of debt	5,822,099	6,580,801
Restricted for:		
Capital construction	1,515,000	1,515,000
Debt service	150,668	459,730
Unrestricted	(1,358,394)	(1,672,109)
Total Net Assets	<u>6,129,373</u>	<u>6,883,422</u>
Total Liabilities and Net Assets	<u>10,698,661</u>	<u>11,137,755</u>

The accompanying notes are integral to these financial statements.

WATER WORKS DISTRICT NO. 1, WARD 1,
CALCASIEU PARISH, LOUISIANA
MOSS BLUFF, LOUISIANA

EXHIBIT B

Comparative Statements of Revenue, Expenses and
Changes in Net Assets for the years ended
June 30, 2003 and 2004

	(restated) 2003	2004
Operating Revenue		
Water Sales	1,705,646	1,632,231
Tapping, connection, and meter fees	134,769	210,483
Total Operating Revenue	<u>1,840,415</u>	<u>1,842,714</u>
Operating Expenses		
Production and distribution	394,723	414,810
General and administrative	483,926	504,454
Total Operating Expenses	<u>878,649</u>	<u>919,264</u>
Operating Revenue before depreciation	961,766	923,450
Depreciation	<u>315,843</u>	<u>318,497</u>
Net Operating Income after depreciation	645,923	604,953
Non-Operating Revenue		
Interest	41,311	27,725
Ad valorem taxes	1,338	262
Re-imbusement for fire hydrants	--	222,685
Lease of tower space	--	5,500
Other	--	1,087
Riverboat grant revenue	80,543	42,750
Total Non-Operating Revenue	<u>123,192</u>	<u>300,009</u>
Non-Operating Expenditures		
Interest on HUD Bonds	1,738	--
Interest on Refunding Issue	119,092	150,913
Total Non-Operating Expenditures	<u>120,830</u>	<u>150,913</u>
Non-Operating revenue (Expenditures)	<u>2,362</u>	<u>149,096</u>
Net Increase in Net Assets	648,285	754,049
Net assets beginning of the year July 1,	<u>5,481,088</u>	<u>6,129,373</u>
Net Assets end of year June 30,	<u><u>6,129,373</u></u>	<u><u>6,883,422</u></u>

The accompanying notes are integral to these financial statements.

WATER WORKS DISTRICT NO. 1, WARD 1,
CALCASIEU PARISH, LOUISIANA
MOSS BLUFF, LOUISIANA

Comparative Statements of Cash Flows for the
Years ended June 30, 2003 and 2004

Increase (Decrease) in Cash and Cash Equivalents	(restated) <u>2003</u>	<u>2004</u>
Cash flows from operating activities		
Cash received from customers	1,837,083	1,880,356
Cash paid to suppliers and employees	(875,002)	(884,892)
Net cash (used) provided by operating activities	<u>962,081</u>	<u>995,464</u>
Cash flows from Non-capital financing activities		
Riverboat grant revenue and Other Parish Transfers	80,543	204,575
Transfer (to) from restricted assets	(1,252,475)	(37,732)
Net cash (used) provided by non-capital financing activities	<u>(1,171,932)</u>	<u>166,843</u>
Cash flows from capital financing activities		
Ad valorem taxed received	1,338	262
Capital expenditures	(808,270)	(741,458)
Interest paid	(132,040)	(132,006)
Bond proceeds	3,490,000	--
Principal payments on bonds	(2,197,000)	(320,000)
Bond issue costs	(107,363)	--
Increase in customer deposits	6,490	3,115
Net cash (used) provided by capital financing activities	<u>253,155</u>	<u>(1,190,087)</u>
Cash flow from investing activities		
Interest earned on investments	40,566	27,780
Net cash (used) provided by investing activities	<u>40,566</u>	<u>27,780</u>
Net increase in cash and cash equivalents	83,870	-0-
Cash and cash equivalents at beginning of year	<u>66,130</u>	<u>150,000</u>
Cash and cash equivalents at end of year	<u><u>150,000</u></u>	<u><u>150,000</u></u>

The accompanying notes are integral to these financial statements.

EXHIBIT C

Reconciliation of net revenue to net cash provided by operating activities

	(Restated) 2003	2004
Net operating income (loss) after depreciation	645,923	604,953
Adjustments to reconcile net revenue (loss) to net cash provided by operating activities:		
Depreciation and amortization	337,716	365,854
Bad debt	3,801	4,349
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(3,332)	37,642
Increase (decrease) in accounts payable	(6,760)	(14,876)
Increase (decrease) in payroll and sales taxes payable	(5,275)	(2,101)
Decrease (increase) in inventory	10,407	(28,407)
Decrease (increase) in prepaid expenses	(20,399)	28,050
Total adjustments	<u>316,158</u>	<u>390,511</u>
Net cash provided by operating activities	<u>962,081</u>	<u>995,464</u>

Disclosure on accounting policy:

For purposes of the statement of cash flows, the Company considers all highly liquified debt instruments purchased with an original maturity of three months or less to be cash equivalents.

The accompanying notes are integral to these financial statements.

**WATER WORKS DISTRICT NO. 1, WARD 1,
CALCASIEU PARISH, LOUISIANA
MOSS BLUFF, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS AT
JUNE 30, 2003 AND 2004**

The **Water Works District No. 1, Ward 1 of Calcasieu Parish** is an independent district created by the Calcasieu Parish Police Jury in 1973 in accordance with section 3811 of the Louisiana Revised Statutes. The District's commissioners are appointed for five year staggered terms by the Calcasieu Parish Police Jury and serve at the pleasure of the Police Jury. The District has authority, as stipulated in the applicable Louisiana Statutes to set such rates as necessary and to provide potable water within its boundaries. The District is a corporate entity that can purchase land, sue and be sued. The Police Jury exercises no control over the finances, rates, or operation of the District as specified in the enabling statutes. The District is governed by its Board of Commissioners and the day-to-day operations are conducted by a Superintendent and staff who serve at the pleasure of the Board of Commissioners. Water District No. 1's boundaries encompass the entire Calcasieu Parish area. The services provided by Water District No. 1 include a complete public water utility system of water purification, distribution, and customer accounting and collection.

The accounting and reporting policies of Water District No. 1 conform to generally accepted accounting policies applicable to state and local governments. The following significant accounting policies were applied in the preparation of the accompanying financial statements.

Note 1 *Summary of Significant Accounting Policies*

Reporting Entity

The financial statements include all accounts of the Water District No. 1's operations. The criteria for including organizations as component units within the Water District No. 1's reporting entity, as set forth in Section 2100 of the GASB Codification of Government Accounting and Financial Reporting Standards include whether:

- The organization is legally separate (and can be sued in its own name)
- The Parish holds the Corporate powers of the District
- The Parish appoints all of the Board of Commissioners
- The Parish is able to impose its will on the organization

Notes to the Financial Statements – Continued

Based on the above criteria Water District No. 1 is considered a component unit of the Calcasieu Parish, Louisiana Government. The Police Jury is the governing body of the parish government.

Method of Accounting (Conversion to GASB 34)

On July 1, 2002 the Water District No. 1 adopted the provisions of Statement No. 34 of the Governmental Accounting Standards Board - "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.*" Statement 34 established standards for external financial reporting for all state and local governmental entities that includes a statement of net assets, a statement of activities and changes in net assets and a statement of cash flows. The year ended June 30, 2003 has been restated to conform with GASB 34.

For Water District No. 1, the adoption of Statement No. 34 had no effect on the basic financial statements except for the classification of net assets in accordance with the Statement and the reflection of capital contributions as a change in net assets.

The financial statements of the Water District No. 1 are prepared on the accrual basis of accounting. Whereby revenues are recognized when earned and expenses are recognized when incurred. Under Governmental Accounting Standards Board Statement No. 20, the Water District No. 1 has elected not to apply Financial Accounting Standards Board provisions issued after November 30, 1989.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The operating revenues of the Water District No. 1 come from metered sales to residential, industrial and municipal customers as well as service connection charges and penalties from late payment of bills. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Funds

The District records, maintains and presents all of its financial information and data using one fund. That fund is an Proprietary fund as described above. The District presents its financial statements as a business type activity and there are

Notes to the Financial Statements are continued on the following page.

Notes to the Financial Statements -- Continued

no governmental type funds.

Deposits and Investments

Water District No. 1's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Water District No. 1's policy is that all surplus funds will be invested, where practical. Management's intent is to hold all investments to maturity. State law allows investments in collateralized certificates of deposit, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

Investments are reported at fair value. The state investment pool (LAMP) operates in accordance with state laws and regulation. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables

In the opinion of management all trade receivables are fully collectible. The opinion is based upon historical experience and a review of receivable balances. No allowance for uncollectible accounts has been provided.

Inventories and Prepaid Items

Materials and supplies inventory is valued at cost using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and services. The commitments are not treated as expenses until a liability for payment is incurred, but are merely used to facilitate effective budget control and cash planning and management. The Water District does not employ encumbrance accounting where a portion of the applicable appropriation is reserved for open purchase orders.

Capital Assets

Notes to the Financial Statements are continued on the following page.

Notes to the Financial Statements – Continued

Capital assets are recorded at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation.

Water District No. 1 maintains a threshold level of \$500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Infrastructure fixed assets (water lines and systems) that are immovable and of value are reported in accordance with the Water District No. 1's policies. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not considered material and is not included as part of the capitalized value of assets constructed.

All capital assets, other than land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

Type of Asset	Service Life
Water Plant and Buildings	7-44 years
Transmission and Distribution System	3-44 years
Distribution and Maintenance	5-10 years
Administration and Office Buildings	25-30 years
Furniture and Equipment	3-8 years
Transportation Equipment	3 years

Compensated Absences

Water District No. 1 provides that employees may be away from work for vacation or for illness. Other types of leave-of-absence are provided for employees in order to fulfill personal obligations and other responsibilities. The district does not have a policy for employees to accrue any compensated absences.

Permanent employees earn paid vacations at their regular rate of pay, excluding

Notes to the Financial Statements are continued on the following page.

Notes to the Financial Statements – Continued

overtime, after a period of one year of employment of one to three weeks based upon length of employment. Generally, vacation leave does not vest. Vacations must be taken by December 31st of each year.

Bond Discounts, Bond Issuance and Prepaid Loan Costs

Bond discounts and bond issuance costs are being amortized on the interest method over term of the related obligation. Prepaid loan costs are being amortized on the straight-line method, which approximates the interest method, over the term of the related obligation. Bond discounts are presented as a reduction to revenue bonds on the accompanying financial statements.

Restricted Net Assets

On July 1, 2002 the Water District adopted the provisions of GASB Statement No. 34. Statement 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets, statement of activities and changes in net assets and a statement of cash flows. It requires classification of net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt - This component of net assets consists of capital asset, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets. If there are significant unspent related debt proceeds at year-end, the portion of debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as proceeds.
- Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws of regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets - The component of net asset consist of net assets that do not meet definition of "restricted" or "invested in capital assets, net of related debt."

Notes to the Financial Statements are continued on the following page.

Notes to the Financial Statements – Continued

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are either unusual in nature or infrequent in occurrence.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

Risk Management

Water District No. 1 has purchased commercial insurance to manage risk in the following areas; building and contents, boiler and machinery, general liability, commercial automobile, directors and officers liability coverage, excess directors and officers liability, public official bonding, public employees blanket bond, workmen's compensation liability and employee health. There have been no significant reductions in insurance coverage in any area. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 2

Stewardship, Compliance and Accountability

Budget Information

The annual budget is a management tool that assist users in analyzing financial activity for the ensuing fiscal year. State law does not require a budget be adopted or reported for Enterprise Funds and accordingly; no budget and actual comparisons are presented in this report.

Compliance with bond resolutions and covenants, authorizing and securing the currently outstanding revenue bonds does require the adoption of a budget. Prior to the close of each fiscal year the Board adopts a proposed budget. The budget for this fiscal year was adopted on June 17, 2003.

Notes to the Financial Statements are continued on the following page.

Notes to the Financial Statements – Continued

Note 3 *Deposits with Financial Institutions and Investments*

Deposits (demand deposits, interest bearing demand deposits and certificates of deposit) are recorded at cost, which approximates fair value. At June 30, 2003 and 2004, the carrying amounts of deposits were \$2,711,077 and \$ 2,748,809 and the bank balances were \$ 2,738,001 and \$ 2,756,429.

Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market values of the pledged securities plus the federal deposit insurance (FDIC) must at all time equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are:

Category 1 - Deposits are insured or collateralized with securities held by the district or by its agent in the district's name.

Category 2 - Deposits which are collateralized with securities held by pledging financial institution's trust department or agents in the district's name.

Category 3 - Deposits which are not collateralized, or were collateralized with securities held by the pledging financial institution, or held by the pledging institution's trust department but not in the entity's name.

Based on the three levels of risk, all of the district's cash deposits are classified as Category 3

FDIC and pledged securities valued at \$ 2,956,311 and \$3,449,517 for 2003 and 2004, respectively, secure these deposits from risk. The pledged securities were held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered un-collateralized (Category 3) under the provisions of GASB Statement 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the entity that the fiscal agent has failed to pay deposited funds upon demand.

Notes to the Financial Statements are continued on the following page.

Notes to the Financial Statements – Continued

Note 4 *Bonds Payable*

The District had a current refunding of three (3) series of bonds on August 28, 2002. The first issue of these refunded issues were Water Revenue Bonds in the original amount of \$1,059,000, purchased by the U.S. Department of Housing and Urban Development (HUD) of which \$387,000 was refunded. The next series were a \$1,000,000 Water Revenue Bonds 1995B bonds, dated December 1, 1995 of which \$695,000 was refunded. The remaining series of Bonds, Refunding Revenue Bonds 1995 A in the original amount of \$1,240,000, dated December 1, 1995 were refunded with a current balance of \$900,000. The refunded bonds had interest rates of 6% for the HUD issue and 5.15% to 6.10% for the other bonds. The refunded bonds had a maturity of nine years remaining. The refunding resulted in a present value savings of \$145,315.

The refunding resulted in unamortized bond issue costs of \$63,232. This is being amortized through the year 2012 using the effective interest method for the amount of the new bonds issued. The proceeds of the new bond issue, 2002 A, were invested by an escrow agent and the funds were used to call the 1995 series on September 1, 2002 and the HUD bonds on December 1, 2002.

The 2002 series has a range of interest rates from 2.30% to 4.60%

Total Debt Payable at June 30, 2003 is as follows:

<u>Year Ending June 30</u>	<u>2002 A Series</u>			<u>2002 B Series</u>			<u>Total</u>
	<u>Interest</u>	<u>Principal</u>	<u>Total</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>	<u>Debt Service</u>
2005	71,970	200,000	271,970	50,755	135,000	185,755	457,725
2006	65,370	200,000	265,370	46,300	135,000	181,300	446,670
2007	57,970	210,000	267,970	41,305	140,000	181,305	449,275
2008	49,570	210,000	259,570	35,705	150,000	185,705	445,275
2009	40,750	220,000	260,750	29,405	155,000	184,405	445,155
2010	31,290	225,000	256,290	22,740	160,000	182,740	439,030
2011	21,390	230,000	251,390	15,700	170,000	185,700	437,090
2012	<u>11,040</u>	<u>240,000</u>	<u>251,040</u>	<u>8,050</u>	<u>175,000</u>	<u>183,050</u>	<u>434,090</u>
TOTAL	<u>349,350</u>	<u>1,735,000</u>	<u>2,084,350</u>	<u>249,960</u>	<u>1,220,000</u>	<u>1,469,960</u>	<u>3,554,310</u>

Notes to the Financial Statements are continued on the following page.

Notes to the Financial Statements – Continued

B. Changes in Long-Term Debt--The following is a summary of bond transactions of the Water Works District No. 1:

	<u>Revenue</u> <u>Bonds Payable</u>
Bonds Payable June 30, 2002	\$ 1,982,000
Bonds Refunded	(1,982,000)
Bonds Issued	3,490,000
Bonds Retired	<u>(215,000)</u>
Bonds Payable June 30, 2003	<u>\$ 3,275,000</u>
Bonds Payable June 30, 2003	\$ 3,275,000
Bonds Retired	<u>(320,000)</u>
Bonds Payable June 30, 2004	<u>\$ 2,955,000</u>

Note 5 Summary of the changes in Fixed Assets

	Balance 6-30-03	Add	Delete	Balance 6-30-04
Land	\$ 242,487	\$ 14,233	\$ --	\$ 256,720
Building	205,141	--	--	205,141
Water System	10,412,185	843,290	--	11,255,475
Furniture	23,876	--	--	25,926
Vehicles	142,492	23,775	23,460	142,807
Equipment	273,238	2,810	--	276,048
Total	<u>\$ 11,299,419</u>	<u>\$ 967,882</u>	<u>\$ 30,848</u>	<u>\$ 12,162,117</u>

Notes to the Financial Statements are continued on the following page.

Notes to the Financial Statements -- Continued

	Balance 6-30-02	Add	Delete	Balance 6-30-03
Land	\$ 241,780	\$ 707	--	\$ 242,487
Building	205,141	--	--	205,141
Water System	9,472,403	939,782	--	10,412,185
Furniture	23,876	--	--	23,876
Vehicles	120,545	21,947	--	142,492
Equipment	159,154	114,084	--	273,238
Total	\$ 10,222,899	\$ 1,076,520	--	\$ 1,299,419

Note 6 *Ad Valorem Taxes*

For the year ended June 30, 2001, 8 mills were levied on property with assessed valuations of \$22,424,590. This amount was reported net of homestead exemptions and other exempted properties. There was no tax levied for fiscal 2004 and 2003. The underlying bonds were paid in full during the fiscal year 2002. The tax year is based on the calendar year as follows: The District determines its millage by June 1, the Parish Tax Assessor then, after applying certain procedures required by law, forwards the millage to the Tax Collector for notification and billing. Taxes become delinquent after December 31st of the year levied.

Note 7 *Pension Plan*

The Water Works District No. 1, Ward 1, matches the employees' contributions (up to 5% of gross wages) to obtain purchase money annuities through New York Life Insurance Company. The District has no obligation other than that of paying the current year's liability. The District paid \$15,633 in 2003 and \$15,219 in 2004 as its contribution to the annuities. The District has no obligation for the annuity contracts held by New York Life past, current, or future. Further, the District management is under no obligation to continue its voluntary contributions to each employee's annuity contract.

Note 8 *Due to State of Louisiana/Act 319*

This liability represents funds advanced to the District for the relocation of water

Notes to the Financial Statements are continued on the following page.

Notes to the Financial Statements -- Continued

lines due to highway expansion or relocation. This loan is non-interest bearing and is for an indefinite period of time. Traditionally, the State of Louisiana has made these loans and the governmental body is not expected to re-pay these loans. The Louisiana Department of Transportation (DOT) will not permit the District to locate any of its lines on state property until the debt is repaid. This restriction can be waived by the DOT and does when the health or welfare of the District's customers is affected.

Note 9 Litigation

There was no active, pending or contemplated litigation at June 30, 2003 and 2004.

End of Notes to the Financial Statements

Louisiana Required Supplemental Information
Schedules

WATER WORKS DISTRICT NO. 1, WARD 1,
CALCASIEU PARISH, LOUISIANA
MOSS BLUFF, LOUISIANA

SCHEDULE OF FIXED ASSETS AND
ACCUMULATED DEPRECIATION
AT JUNE 30, 2004

	<u>Basis of Assets</u>			Balance 6-30-04
	Balance 6-30-03	Addition	Reduction	
Land	242,487	14,233	-0-	256,720
Building	205,141	-0-	-0-	205,141
Distribution System	5,284,274	364,745	-0-	5,649,019
Water Wells	328,868	-0-	-0-	328,868
Water Plant	2,934,785	475,927	-0-	3,410,712
Water Tank	1,864,258	2,618	-0-	1,866,876
Office Furniture	23,876	2,050	-0-	25,926
Vehicles	142,492	23,775	23,460	142,807
Equipment	273,238	2,810	-0-	276,048
Total	<u>11,299,419</u>	<u>886,158</u>	<u>23,460</u>	<u>12,162,117</u>

SCHEDULE 1

<u>Accumulated Depreciation</u>			
Balance 6-30-03	Current Depreciation	Reduction	Balance 6-30-04
-0-	-0-	-0-	-0-
114,360	9,646	-0-	124,006
2,090,113	117,966	-0-	2,208,079
246,552	14,699	-0-	261,251
1,053,260	86,496	-0-	1,139,756
382,848	46,717	-0-	429,565
17,403	1,525	-0-	18,928
67,587	17,387	23,460	61,514
109,582	24,061	-0-	133,643
4,081,705	318,497	23,460	4,376,742

WATER WORKS DISTRICT NO. 1, WARD 1,
CALCASIEU PARISH, LOUISIANA
MOSS BLUFF, LOUISIANA

SCHEDULE OF FIXED ASSETS AND
ACCUMULATED DEPRECIATION
AT JUNE 30, 2003

	<u>Basis of Assets</u>			Balance 6-30-03
	Balance 6-30-02	Addition	Reduction	
Land	241,780	707	-0-	242,487
Building	205,141	-0-	-0-	205,141
Distribution System	5,104,044	180,230	-0-	5,284,274
Water Wells	328,868	-0-	-0-	328,868
Water Plant	2,901,015	33,770	-0-	2,934,785
Water Tank	1,138,476	725,782	-0-	1,864,258
Office Furniture	23,876	-0-	-0-	23,876
Vehicles	120,545	21,947	-0-	142,492
Equipment	159,154	114,084	-0-	273,238
Total	<u>10,222,899</u>	<u>1,076,520</u>	<u>-0-</u>	<u>11,299,419</u>

SCHEDULE 1A

Accumulated Depreciation

Balance 6-30-02	Current Depreciation	Reduction	Balance 6-30-03
-0-	-0-	-0-	-0-
104,714	9,646	-0-	114,360
1,976,290	113,823	-0-	2,090,113
231,853	14,699	-0-	246,552
957,441	95,819	-0-	1,053,260
336,240	46,608	-0-	382,848
15,648	1,755	-0-	17,403
50,187	17,400	-0-	67,587
93,489	16,093	-0-	109,582
<u>3,765,862</u>	<u>315,843</u>	<u>-0-</u>	<u>4,081,705</u>

WATER WORKS DISTRICT NO. 1, WARD 1,
CALCASIEU PARISH, LOUISIANA
MOSS BLUFF, LOUISIANA

SCHEDULE 2

SCHEDULE OF OPERATING EXPENSES
FOR THE YEARS ENDED
JUNE 30, 2003 AND 2004

	<u>2003</u>	<u>2004</u>
Production and Distribution:		
Personal Services	145,593	166,496
Repairs and maintenance		
Equipment	8,295	6,648
Wells, plant & power	44,081	50,658
Taps & Lines	39,054	32,189
Power	72,264	79,492
Chemical	60,437	35,839
Truck	22,311	22,440
Supplies	2,688	2,932
Administrative fee to state for safe drinking water	--	18,116
Total production & distribution expenses	<u>394,723</u>	<u>414,810</u>
General and Administrative:		
Personal service-office	131,540	136,740
Personal service-meter reading	36,837	38,122
Insurance	70,134	63,858
Office operations	12,448	9,254
Computer maintenance and software	7,209	9,736
Payroll taxes	25,370	27,652
Communications	10,153	8,599
Legal and professional	16,947	17,940
Utilities	3,667	3,972
Postage	20,716	20,854
Meeting expenses and per diem	7,601	7,511
Billing and collection	6,527	6,243
Miscellaneous	1,830	1,601
Amortization of bond issue costs	21,873	47,357
Employees benefits	97,223	95,948
Janitorial	8,618	3,387
Printing	35	30
Conferences, workshops & certificates	1,397	1,301
Bad Debt	3,801	4,349
Total general & administrative expenses	<u>483,926</u>	<u>504,454</u>

WATER WORKS DISTRICT NO. 1, WARD 1,
CALCASIEU PARISH, LOUISIANA
MOSS BLUFF, LOUISIANA

SCHEDULE 3

CASH BALANCES AT JUNE 30, 2003 AND 2004

Detail of Cash Accounts and Liquid Investments:	2003	2004
A. Certificates of deposits and savings	2,019,610	2,119,362
B. Hibernia National Bank-revenue	274,420	83,778
C. Bank-payroll	3,622	7,883
D. Sinking HUD	--	--
E. Cash on hand	600	601
F. Checking and CD - G.O. sinking account	--	53,196
G. Money market	52,934	222,798
H. Restricted cash - customer deposits	(3,281)	(5,185)
I. Louisiana Investment Pool	363,172	266,376
Total	2,711,077	2,748,809
Division of Cash		
Restricted:		
A. Reserve for customer deposits	128,240	131,355
B. Sinking fund for bond interest	150,668	459,730
C. Construction & capital purposes	2,282,169	2,007,724
Total Restricted Cash	2,561,077	2,598,809
Unrestricted Cash	150,000	150,000
Total Restricted and Unrestricted Cash	2,711,077	2,748,809

WATER WORKS DISTRICT NO. 1, WARD 1,
CALCASIEU PARISH, LOUISIANA
MOSS BLUFF, LOUISIANA

SCHEDULE 4

SCHEDULE OF COMMISSIONERS'
PER DIEM AND ATTENDANCE
FOR THE YEARS ENDED
JUNE 30, 2004 AND 2003

Commissioners:	Expiration of term	2004		2003	
		Per Diem	Meetings Attended	Per Diem	Meetings Attended
David Dotson	Sept. 2007	1,440	25	1,440	24
J.R. McCain	Sept. 2006	1,440	24	1,440	24
Haskell Nixon	Sept. 2003	1,440	25	1,440	24
Earl O'Quinn	Sept. 2005	1,440	24	1,440	24
Glen Franklin	Sept. 2004	1,440	25	1,440	24
Total Per Diem		<u>7,200</u>	<u>123</u>	<u>7,200</u>	<u>120</u>

WATER WORKS DISTRICT NO. 1, WARD 1,
CALCASIEU PARISH, LOUISIANA
MOSS BLUFF, LOUISIANA

SCHEDULE 5

SCHEDULE OF INSURANCE IN FORCE
JUNE 30, 2004

Fire, Lightning and Extended Coverage:

(Subject to 80% Co-Insurance)

Combined Limit:

Buildings	1,000,000
Personal Property	500,000

Comprehensive General and Automobile Liability:

Bodily Injury:

Each person	500,000
Each accident	500,000
Uninsured Motorist	500,000

Standard Workman's Compensation:

(Limits to \$100,000) 500,000

General Liability and Property Damage: 1,000,000

Fidelity Bond:

(per employee) 10,000

Public Officials Liability 1,000,000

Pollution (Limited) Coverage

Each Occurrence	500,000
Aggregate	1,000,000

**WATER WORKS DISTRICT NO. 1, WARD 1
CALCASIEU PARISH, LOUISIANA
MOSS BLUFF, LOUISIANA**

SCHEDULE 6

SCHEDULE OF RATES

A. Water Rate Classification and Schedule:

1. Class I - Residential - One (1) user on Owner's property	
Minimum for 0 to 2,000 gallons	\$8.50
Per 1,000 gallons thereafter	\$2.40
2. Class II - Commercial and Industrial	
Minimum for 0 to 5,000 gallons	\$16.50
Per 1,000 gallons thereafter	\$2.40
3. Class III - Trailer Parks and Apartments (Multiple users through one meter)	
Minimum for 0 to 2,000 gallons	\$9.50
Per 1,000 gallons thereafter	\$2.40

B. Deposits and Service Charges (Revised)

1. Deposits	
Residential	\$10.00
Residential (renter)	\$75.00
Commercial	\$30.00 TO \$100.00
Fire Hydrant Usage	\$20.00
Industrial (to be determined by Waterworks No. 1)	-0-
2. Service Charges	
Turn on or transfer	\$15.00
After 4:30 p.m. or on weekends	\$30.00
Name change only	\$0.00
Collection charge	\$15.00
NSF Checks	\$25.00
Fire Hydrant Meter Rental (Per day)	\$10.00
Fire Hydrant Meter (Installation)	\$10.00
Plans and Specifications	
5,000 Min. (Plus \$2.00 per 1,000' over 5,000')	\$50.00
Inspection fee (\$1.00 per unit/lot) plus base rate of	\$50.00
Tapping Fee (5/8" X 3/4")	\$700.00
3/4", 1-1/2", & 2" (Cost of labor & materials)	

C. The System shall be operated on a fully metered basis.

D. No free service will be allowed.

E. No dual connection will be allowed (more than one user on a single meter) other than specified in classifications.

WATER WORKS DISTRICT NO. 1, WARD 1,
CALCASIEU PARISH, LOUISIANA
MOSS BLUFF, LOUISIANA

COMPARATIVE STATEMENTS OF
REVENUES AND EXPENSES
FOR THE YEARS ENDED
JUNE 30, 2004 THRU 1992

Operating Revenue	2004	2003	2002	2001	2000	1999	1998
Water Sales	1,632,231	1,705,646	1,564,639	1,591,896	1,454,152	1,316,715	1,214,843
Service	210,483	134,769	105,894	99,495	102,300	80,943	91,423
Total	1,842,714	1,840,415	1,670,533	1,691,391	1,556,452	1,397,658	1,306,266
Operating Expenses:							
Production and Distribution (A)	733,307	710,566	724,041	639,233	574,824	570,930	521,276
General and Administrative	504,454	483,926	424,254	377,362	371,267	338,159	302,463
Total	1,237,761	1,194,492	1,148,295	1,016,595	946,091	909,089	823,739
Net Income (Loss) from operations	604,953	645,923	522,238	674,796	610,361	488,569	482,527
Non-Operating Revenue and (expenses):							
Interest & Taxes	27,987	42,649	47,335	309,423	251,683	283,511	256,268
Miscellaneous	6,587	-0-	-0-	-0-	(1,994)	26,674	32,276
Interest Expense	(150,913)	(120,830)	(139,164)	(161,287)	(197,581)	(204,751)	(231,555)
Parish Grant for Fire Hydr	222,685	-0-	-0-	-0-	-0-	-0-	-0-
Riverboat Grant Revenue	42,750	80,543	48,063	105,018	22,662	77,832	-0-
Total	149,096	2,362	(43,766)	253,154	74,770	183,266	56,989
Net Income (Loss)	754,049	648,285	478,472	927,950	685,131	671,835	539,516
Customers (active)	6,371	6,290	6,124	5,901	5,866	5,722	5,566
Customer increase	81	166	223	35	144	156	283
Water Consumption in thousand gallons	532,377	528,199	533,860	559,695	540,595	531,270	520,537

(A) Includes Depreciation

SCHEDULE 7

1997	1996	1995	1994	1993	1992
1,162,509	1,062,453	942,400	832,705	796,650	754,978
80,185	103,583	69,211	48,220	47,014	32,888
1,242,694	1,166,036	1,011,611	880,925	843,664	787,866
473,057	573,233	536,816	504,534	522,311	408,470
300,451	286,043	274,602	264,989	277,292	272,303
773,508	859,276	811,418	769,523	499,603	680,773
469,186	306,760	200,193	111,402	44,061	107,093
292,384	258,722	232,488	219,870	222,237	218,911
17,689	16,292	18,945	42,056	38,856	34,586
(237,636)	(268,607)	(236,962)	(249,602)	(234,593)	(282,186)
-0-	-0-	-0-	-0-	-0-	14,209
-0-	-0-	-0-	-0-	-0-	-0-
72,437	6,407	14,471	12,324	26,500	(14,480)
541,623	313,167	214,664	123,726	70,561	92,613
5,283	5,065	4,695	4,500	4,360	4,146
218	370	195	140	214	111
494,830	478,605	426,994	410,381	369,359	381,012

Louisiana Required Supplemental Information
Compliance Questionnaire

LOUISIANA COMPLIANCE QUESTIONNAIRE
(For Audit Engagements of Government Entities)

_____ (Date Transmitted)

Windell Hebert, CPA
1906 Texas Avenue
Bridge City, Texas 77611

(Auditors)

In connection with your audit of our financial statements as of June 30, 2004 and for July 1, 2003 through June 30, 2004 (period of audit) for the purpose of expressing an opinion as to the fair presentation of our financial statements in accordance with accounting principles generally accepted in the United States of America, to assess our system of internal control as a part of your audit, and to review our compliance with applicable laws and regulations, we confirm, to the best of our knowledge and belief, the following representations. These representations are based on the information available to us as of _____ (date completed/date of the representations).

PART I. AGENCY PROFILE

1. Name and address of the organization.

Water Works District No. 1 of Ward 1
P.O. Box 12549
Lake Charles, LA. 70612

2. List the population of the municipality or parish based upon the last official United States Census or most recent official census (municipalities and police juries only). Include the source of the information.

3. List names, addresses, and telephone numbers of entity officials. [Include elected/appointed members of the governing board, chief executive and fiscal officer, and legal counsel.

See Attachment

4. Period of time covered by this questionnaire:

July, 1, 2003 through June 30, 2004

5. The entity has been organized under the following provisions of the Louisiana Revised Statute (s) (LSA-RS) and, if applicable, local resolutions/ordinances.

6. Briefly describe the public services provided:

Public Water Supply

7. Expiration date of current elected/appointed officials' terms.

5 year terms, staggered so that one expires each year.

LEGAL COMPLIANCE

PART II. PUBLIC BID LAW

8. The provisions of the public bid law, LSA-RS Title 38:2212, and, where applicable, the regulations of the Division of Administration, State Purchasing Office have been complied with.

A) All public works purchases exceeding \$100,000 have been publicly bid.

B) All material and supply purchases exceeding \$20,000 have been publicly bid.

Yes [X] No []

PART III. CODE OF ETHICS LAW FOR PUBLIC OFFICIALS AND PUBLIC EMPLOYEES

9. It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of LSA-RS 42:1101-1124.

Yes [X] No []

10. It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of LSA-RS 42:1119.

Yes [X] No []

PART IV. LAWS AFFECTING BUDGETING

11. We have complied with the budgeting requirements of the Local Government Budget Act (LSA-RS 39:1301-15) or the budget requirements of LSA-RS 39:33.

A. Local Budget Act

1. We have adopted a budget for the General Fund and all special revenue funds (LSA-RS 39:1305).

2. The chief executive officer, or equivalent, has prepared a proposed budget that included a budget message, a proposed budget for the General Fund and each special revenue fund, and a budget adoption instrument that specified the chief executive's authority to make budgetary

- amendments without approval of the governing authority. Furthermore, the proposed expenditures did not exceed estimated funds to be available during the period (LSA-RS 39:1305).
3. The proposed budget was submitted to the governing authority and made available for public inspection at least 15 days prior to the beginning of the budget year (LSA-RS 39:1306).
 4. To the extent that proposed expenditures were greater than \$500,000, we have made the budget available for public inspection and have advertised its availability in our official journal. The advertisement included the date, time, and place of the public hearing on the budget. Notice has also been published certifying that all actions required by the Local Government Budget Act have been completed (LSA-RS 39:1307).
 5. The proposed budget was made available for public inspection at the location required by LSA-RS 39:1308.
 6. All action necessary to adopt and finalize the budget was completed prior to the date required by state law. The adopted budget contained the same information as that required for the proposed budget [LSA-RS 39:1306.
 7. After adoption, a certified copy of the budget has been retained by the chief executive officer or equivalent officer (LSA-RS 39:1309).
 8. The chief executive officer or equivalent notified in writing the governing authority during the year when actual receipts plus projected revenue collections for the year failed to meet budgeted revenues by five percent or more, or when actual expenditures plus projected expenditures to year end exceeded budgeted expenditures by five percent or more (LSA-RS 39:1311). (Note, state law exempts from the amendment requirements special revenue funds with anticipated expenditures of \$250,000 or less and exempts special revenue funds whose expenditures drive revenue recognition-primarily federal funds-from the requirement to amend revenues.)
 9. The governing authority has amended its budget when notified, as provided by LSA-RS 39:1311.

Yes No

B. State Budget Requirements

1. The state agency has complied with the budgetary requirements of LSA-RS 39:33.

Yes No

C. Licensing Boards

1. The licensing board has complied with the budgetary requirements of R. S. 39:1331-1342.

Yes No

PART V. ACCOUNTING, AUDITING, AND FINANCIAL REPORTING LAWS

12. We have maintained our accounting records in such a manner as to provide evidence of legal compliance and the preparation of annual financial statements to comply with LSA-RS 24:514, 24:515, and/or 33:463.

Yes No

13. All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31, and 44:36.

Yes No

14. We have filed our annual financial statements in accordance with LSA-RS 24:514, and 33:463 where applicable.

Yes No

15. We have had our financial statements audited in a timely manner in accordance with LSA-RS 24:513.

Yes No

PART VI. ASSET MANAGEMENT LAWS

16. We have maintained records of our fixed assets and movable property records, as required by LSA-RS 24:515 and/or 39:321-332, as applicable.

Yes No

PART VII. FISCAL AGENCY AND CASH MANAGEMENT LAWS

17. We have complied with the fiscal agency and cash management requirements of LSA-RS 39:1211-45 and 49:301-327, as applicable.

Yes No

PART VIII. DEBT RESTRICTION LAWS

18. It is true we have not incurred any long-term indebtedness without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 39:1410.60-1410.65.

Yes No

19. We have complied with the debt limitation requirements of state law (LSA-RS 39:562).

Yes No

20. We have complied with the reporting requirements relating to the Fiscal Review Committee of the State Bond Commission (LSA-RS 39:1351).

Yes No

PART IX. REVENUE AND EXPENDITURE RESTRICTION LAWS

21. We have restricted the collections and expenditures of revenues to those amounts authorized by Louisiana statutes, tax propositions, and budget ordinances.

Yes No

22. It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-RS 14:138, and AG opinion 79-729.

Yes No

23. It is true that no property or things of value have been loaned, pledged, or granted to anyone in violation of Article VII, Section 14 of the 1974 Louisiana Constitution.

Yes No

PART X. QUESTIONS FOR SPECIFIC GOVERNMENTAL UNITS

Police Juries

24. We have adopted a system of road administration that provides as follows:

- A. Approval of the governing authority of all expenditures, LSA-RS 48:755(A).
- B. Development of a capital improvement program on a selective basis, LSA-RS 48:755.
- C. Centralized purchasing of equipment and supplies, LSA-RS 48:755.
- D. Centralized accounting, LSA-RS 48:755.
- E. A construction program based on engineering plans and inspections, LSA-RS 48:755.
- F. Selective maintenance program, LSA-RS 48:755.
- G. Annual certification of compliance to the legislative auditor, LSA-RS 48:758.

Yes No

School Boards

25. We have complied with the general statutory, constitutional, and regulatory provisions of the Louisiana Department of Education, LSA-RS 17:51-401.

Yes No

26. We have complied with the regulatory circulars issued by the Louisiana Department of Education that govern the Minimum Foundation Program.

Yes No

27. We have, to the best of our knowledge, accurately compiled the performance measurement data contained in the following schedules and recognize that your agreed upon procedures will be applied to such schedules and performance measurement data:

Parish school boards are required to report as part of their annual financial statements measures of performance. These performance indicators are found in the supplemental schedules:

- Schedule 1, General Fund Instructional and Support Expenditures and Certain Local Revenues Sources
- Schedule 2, Education Levels of Public School Staff
- Schedule 3, Number and Type of Public Schools
- Schedule 4, Experience of Public Teachers and Full-time Classroom Teachers
- Schedule 5, Public School Staff Data
- Schedule 6, Class Size Characteristics
- Schedule 7, Louisiana Educational Assessment Program
- Schedule 8, The Graduate Exit Exam
- Schedule 9, The IOWA Tests

Yes No

Tax Collectors

28. We have complied with the general statutory requirements of LSA-RS 47, Chapter 4.
Yes [] No []

Sheriffs

29. We have complied with the state supplemental pay regulations of LSA-RS 33:2218.8.
Yes [] No []

30. We have complied with LSA-RS 33:1432 relating to the feeding and keeping of prisoners.
Yes [] No []

District Attorneys

31. We have complied with the regulations of the Louisiana Department of Social Services that relate to the Title IV-D Program.
Yes [] No []

Assessors

32. We have complied with the regulatory requirements found in Title 47 of the Louisiana Revised Statutes.
Yes [] No []

33. We have complied with the regulations of the Louisiana Tax Commission relating to the reassessment of property.
Yes [] No []

Clerks of Court

34. We have complied with LSA-RS 13:751-960.
Yes [] No []

Libraries

35. We have complied with the regulations of the Louisiana State Library.
Yes [] No []

Municipalities

36. Minutes are taken at all meetings of the governing authority. LSA-RS 42:7.1 (Act 665 of 1976).
Yes [] No []

37. Minutes, ordinances, resolutions, budgets, and other official proceedings of the municipalities are published in the official journal. LSA-RS 43:143-144 and A.G. 86-528.
Yes [] No []

38. All official action taken by the municipality is conducted at public meetings. LSA-RS 42:4.1-13.
Yes [] No []

Airports

39. We have submitted our applications for funding airport construction or development to the Department of Transportation and Development as required by LSA-RS 2:802.
Yes [] No []

40. We have adopted a system of administration that provides for approval by the department for

any expenditures of funds appropriated from the Transportation Trust Fund, and no funds have been expended without department approval (LSA-RS 2:810).

41. All project funds have been expended on the project and for no other purpose (LSA-RS 2:810). Yes [] No []

42. We have certified to the legislative auditor, on an annual basis, that we have expended project funds in accordance with the standards established by law (LSA-RS 2:811). Yes [] No []

Yes [] No []

Ports

43. We have submitted our applications for funding port construction or development to the Department of Transportation and Development as required by LSA-RS 34:3432.

Yes [] No []

44. We have adopted a system of administration that provides for approval by the department for any expenditures of funds made out of state and local matching funds, and no funds have been expended without department approval (LSA-RS 34:3460).

Yes [] No []

45. All project funds have been expended on the project and for no other purpose (LSA-RS 34:3460).

Yes [] No []

46. We have established a system of administration that provides for the development of a capital improvement program on a selective basis, centralized purchasing of equipment and supplies, centralized accounting, and the selective maintenance and construction of port facilities based upon engineering plans and inspections (LSA-RS 34:3460).

Yes [] No []

47. We have certified to the legislative auditor, on an annual basis, that we have expended project funds in accordance with the standards established by law (LSA-RS 34:3461).

Yes [] No []

Sewerage Districts

48. We have complied with the statutory requirements of LSA-RS 33:3881-4160.

Yes [] No []

Waterworks Districts

49. We have complied with the statutory requirements of LSA-RS 33:3811-3837.

Yes [X] No []

Utility Districts

50. We have complied with the statutory requirements of LSA-RS 33:4161-4548.

Yes [] No []

Drainage and Irrigation Districts

51. We have complied with the statutory requirements of LSA-RS 38:1601-1707 (Drainage Districts); LSA-RS 38:1751-1921 (Gravity Drainage Districts); LSA-RS 38:1991-2048 (Levee and Drainage Districts); or LSA-RS 38:2101-2123 (Irrigation Districts), as appropriate.

Yes [] No []

Fire Protection Districts

52. We have complied with the statutory requirements of LSA-RS 40:1491-1509.

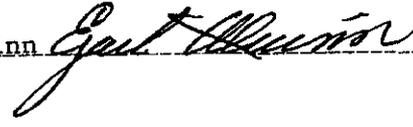
Yes [] No []

Other Special Districts

53. We have complied with those specific statutory requirements of state law applicable to our district.

Yes [] No []

The previous responses have been made to the best of our belief and knowledge.

Haskell Nixon		Secretary	_____	Date
"	"	Treasurer	_____	Date
Earl O'Quinn		President	_____	Date

ATTACHMENT

BOARD COMMISSIONERS

JOHN WALTHER	1037 Belle Avenue, Lake Charles, LA 70611	(337)855-7306
EARL O'QUINN	2870 Topsy Road, Lake Charles, LA 70611	(337)855-4232
HASKELL NIXON	2529 Topsy Road, Lake Charles, LA 70611	(337)855-4055
JOSEPH THOMAS	1574 Thompson Road, Lake Charles, LA 70611	(337)855-0012
GLEN FRANKLIN	1797 South Borel Drive, Lake Charles, LA 70611	(337)855-3447

SUPERINTENDENT

GERALD HOFFPAUIR	1101 Athen Drive, Lake Charles, LA 70611	(337)855-6346
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LEGAL COUNSEL

ROBERT KLEINSCHMIDT	P. O. Box 3209, Lake Charlers, LA 70602	(337)437-3400
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Louisiana Required Supplemental Information
Governmental Accounting Report

Windell Hebert
Certified Public Accountant

1906 Texas Avenue • P.O. Box 1040
Bridge City, Texas 77611
Phone 409 735-3535 • Fax 409 735-4339

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Commissioners
Water Works District No. 1, Ward 1
Calcasieu Parish, Louisiana
Lake Charles, Louisiana

We have audited the general purpose financial statements of Water Works District No. 1, Ward 1, Calcasieu Parish, Louisiana as of and for the year ended June 30, 2004, and have issued our report thereon dated December 17, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

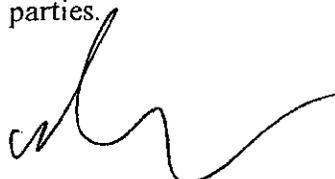
As part of obtaining reasonable assurance about whether Water Works District No. 1, Ward 1, Calcasieu Parish, Louisiana's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances on noncompliance that are required to be reported under *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Water Works District No. 1, Ward 1, Calcasieu Parish, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does

not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the District's Board of Commissioners, the District's management, the Louisiana Legislative Auditor, Calcasieu Parish Police Jury and, if applicable, federal awarding agencies and pass-through entities of both the federal and state governments and is not intended to be and should not be used by anyone else than these specified parties.



Windell Hebert, CPA
December 17, 2004

Other Attachments

Windell Hebert
Certified Public Accountant

1906 Texas Avenue • P.O. Box 1040
Bridge City, Texas 77611
Phone 409 735-3535 • Fax 409 735-4339

MANAGEMENT LETTER

Board of Commissioners
Water Works District No. 1, Ward 1
Calcasieu Parish, Louisiana

In planning and performing our audit of the general purpose financial statements of Water Works District No. 1, Ward 1, Calcasieu Parish, Louisiana for the years ended June 30, 2004, considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect Water Works District No. 1, Ward 1, Calcasieu Parish, Louisiana's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted no reportable conditions that we believe to be material weaknesses.

Finding No. 1 – 2002 –

Condition: The computerized billing and collection system could not produce cumulative reports of transactions to prove the totals recorded in the general ledger. The general ledger reported revenue on a cash collected basis during the year and no entry was made to adjust accounts receivable until year end.

Criteria: The District presents its financial statements on the Unitary Proprietary Fund basis.

Accordingly, revenue should be recorded on the accrual basis and not the cash basis during the year.

Effect: The difference is minimal as to materiality during the year, however, adjustments made at year end are material to the accounts receivable balance.

Recommendation: That the monthly books be prepared on the full accrual basis and proper segregation of the different classes of income be recorded, i.e., water fees, late payment penalties, collection charges, tapping fees, and other charges should be reported discretely each month. Further a reconciliation of accounts receivable should be done daily and the balance reconciled to the general ledger each month as part of the monthly closing of the books.

Status: No action has been taken on this matter. It is anticipated that the District will implement full accrual during the 2005 fiscal year.

Finding No. 1 – 2003 – The District's system for reading meters uses both wireless and manual collection of data. The wireless meter method uses a hand held device that reads the meter electronically and the meter reader does not have to physically read the meter and record the current reading. The device receives a signal from the meter that records the reading directly into the device. The readings in the device are then transferred electronically to the billing and collection system. Currently this system results in one sixth of all meter readings requiring additional handling by the billing and collections clerk. Some of the items indicating additional work may be the result of improper use of the device by meter readers, inadequate procedures concerning the proper use of the meters, or meter readers not complying with existing procedures.

Recommendation: It is recommended that the policies and procedures concerning this matter be reviewed for possible revision to eliminate this additional processing. Additionally, the software that reads the wireless meters is being upgraded.

Status: The District has implemented procedures to reduce the number of mis-readings by having the meter readers more carefully check the bad readings.

There was no findings for Fiscal year 2004.

This report is intended solely for the information and use of the Board of Commissioners of the Water Works District No. 1, Ward 1, Calcasieu Parish, Louisiana, management, and others within the administration. This restriction is not intended to limit distribution of this report, which is a matter of public record.

✓
Windell Hebert, CPA
December 17, 2004

**WATERWORKS DISTRICT NO. 1, WARD 1, CALCASIEU PARISH, LOUISIANA
CORRECTIVE PLAN OF ACTION
FOR THE YEAR ENDED JUNE 30, 2004**

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS	
None	N/A
SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
NO FEDERAL AWARDS	
SECTION III MANAGEMENT LETTER	
FY 2002 Finding 1 – Full accrual reporting on a monthly basis.	The District will implement full accrual for its monthly financial statements during the Fiscal 2005 year.
FY 2003 Finding 1 – Meter reading.	The Superintendent is reviewing the procedures for meter reading to determine if the system is properly designed and if meter readers are complying with existing policies. The District did effect several improvements during Fiscal year 2004 and plans to continue to improve the efficiency of reading and posting the meter readings to the computerized billing and collections system.

End of Corrective Plan of Action

[This form is an unaudited informational document prepared by management of the agency.]

LEGISLATIVE AUDITOR
BATON ROUGE LA 70804

DATA COLLECTION FORM

FOR REPORTING ON STATE AND LOCAL GOVERNMENT AND QUASI-PUBLIC ENTITIES

OMB Form 0348-0057 may be used as a substitute for this form.

Date Submitted 1/1/04

RETURN to: Legislative Auditor (ereports@lla.state.la.us) or
Attn: Engagement Processing
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

1. Fiscal Year Ending Date For This Submission: 6/30/04

3. Audit Period Covered
 Annual Biennial
 Other _____ to _____

2. Type of Report:
 Single Audit GAO Audit Standards Audit
 Compilation Review/Attestation
 Program Audit Other
Total Revenues and other sources, all funds
\$ _____

4. AUDITEE INFORMATION

Auditee Name
WATER WORKS DISTRICT NO 1, WARD 1
CALCASSIN PARISH, LOUISIANA

Street Address (Number and Street)
166 School ST

Mailing Address (PO No.)
PO BOX 12549

City LAFAYETTE State LA Zip 70612

Auditee Contact
Name GERALD HOFFDAUER Title SUPERINTENDENT

Telephone 337 855 2134 Fax 337 855

Email (Optional)
PARISH@BELLSOUTH.NET

5. AUDITOR INFORMATION

Firm Name
WINDELL HERBERT, CPA

Street Address (Number and Street)
PO BOX 7040 --- 1706 TEXAS AVE.

Mailing Address (PO No.)
PO BOX 1040

City BRIDGE CITY State TX Zip 77611

Auditor Contact
Name WINDELL HERBERT Title CPA

Telephone 409 735 3535 Fax 409 735 4329

Email (Optional)

Component Units Included Within the Report and for Which No Separate Report Will Be Issued:
NONE

If there are no modifications to the auditor's financial opinion, no reported deficiencies in internal control, no reported instances of noncompliance, no management letter, and no prior year findings, check this box and do not complete the rest of the form.

6. FINANCIAL STATEMENTS

a. Type of audit report on financial statements. Not Applicable
 Unqualified Opinion Qualified Opinion Adverse Opinion Disclaimer of Opinion
b. Is a 'going concern' explanatory paragraph included in the audit report? Yes No
c. Do any of the funds have deficit balances? Yes No

7. INTERNAL CONTROL

Do the comments on internal control include: material weaknesses other conditions

8. COMPLIANCE

Do the comments on compliance include: criminal acts fraud and abuse not applicable

9. CURRENT YEAR MANAGEMENT LETTER (Finding Caption and No.)

NONE
Resolved Yes No No Longer Applicable
Resolved Yes No No Longer Applicable
Resolved Yes No No Longer Applicable

10. SCHEDULE OF CURRENT YEAR FINDINGS/QUESTIONED COSTS (Finding Caption and No.)

NONE
\$ _____ Resolved Yes No No Longer Applicable
\$ _____ Resolved Yes No No Longer Applicable

Do any findings address nepotism, ethics violations or related party transactions? Yes No
Do any findings address violation of bond indenture covenants? Yes No

11. SCHEDULE OF PRIOR YEAR FINDINGS/QUESTIONED COSTS/MANAGEMENT LETTER COMMENTS

(Finding/Comment Caption and No.)
FY 2002 #1 Resolved Yes No No Longer Applicable
FY 2003 #1 Resolved Yes No No Longer Applicable
Resolved Yes No No Longer Applicable
Resolved Yes No No Longer Applicable
Resolved Yes No No Longer Applicable

CPA SIGNATURE
AUDITEE SIGNATURE

[Signature]

Date 12/17/04
Date _____

**WATERWORKS DISTRICT NO. 1, WARD 1, CALCASIEU PARISH, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004**

We have audited the financial statements of Waterworks District No. 1, Ward 1, Calcasieu Parish, Louisiana as of and for the year ended June 30, 2003, and have issued our report thereon dated December 17, 2004. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2003, resulted in an unqualified opinion.

Section I Summary of Auditors' Reports

A. REPORT ON INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS.

Internal Control

Material Weaknesses Yes No

Reportable Conditions Yes No

Compliance

Compliance Material to Financial Statements Yes No

B. FEDERAL AWARDS

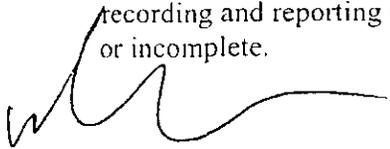
None -- Not applicable

C. IDENTIFICATION OF MAJOR PROGRAMS

None -- Not applicable

Section II Financial Statement Findings

None of the issues communicated to the Governing Board did we consider as reportable conditions as established by professional standards. The items we did communicate to the Board were of such a nature as to require consideration and action as deemed necessary by the Governing Board. None of these issues in and of themselves would have affected the financial recording and reporting system to a degree as to cause the financial statements to be misleading or incomplete.


Windell Hebert, CPA
December 20, 2004